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OCEAN FREIGHT RATES AND THEIR CONTROL BY LINE CARRIERS

This article omits a consideration of the transatlantic trade, because that trade differs from all others to such an extent that it merits separate consideration. All other important ocean trades differ from the north Atlantic in at least four respects: (1) none is so large; (2) none is over so short a route; (3) none has such geographical unity; (4) none is so dependent on raw materials.

1 and 2. The first two combine to produce one effect, namely, many carriers. The shortness of the route permits a comparatively few vessels to render line service, while the magnitude of the Atlantic trade requires so many lines that they have never been able effectually to get together. The trade from America or from Europe to the commercial districts of other continents is smaller in volume and over routes so long[1] that the formation of a line is relatively more difficult, and therefore the task of starting new competition is greater. Competition in line traffic, it should be noted, requires another line able to offer the same service.

3. While American geographical and political conditions tend to weld the commerce of the continent with Europe into one great unit by enabling it to reach the sea anywhere, there is in Europe no such commercial unity. European land forms, politics,

[1] The transatlantic voyage is but one-half to one-fourth the length of that from Europe or America to South America, South Africa, India, Australia, or the Orient.

and transportation unite to produce commercial separateness. A half-dozen different nations, each commercially independent and commercially hostile, give to the trade of Austria, Italy, France, Great Britain, and Germany an isolation that is entirely unknown in America and makes much easier the agreement of European carriers to the different corners of the world, because each group of carriers has a territory of origin in which rivals cannot compete without coming to the same ports.

4. The longer European trades stand apart from the transatlantic, having less raw materials and more manufactures in their freight. The great quantities of manufactures going out from Europe require a fast, frequent, and reliable service over long routes. Lines agreeing and co-operating can easily give such service, which, moreover, a new rival finds it hard to give. Competition from Europe to the more distant continents cannot, therefore, be so active a force as it is in the European trade with eastern North America.

It is necessary for ocean carriers who might compete to be in one of four relations to each other: (1) they may be practically independent because they all have more goods than they can carry at profitable rates; (2) they may be active competitors; (3) they may be working under some mutually beneficial agreement with regard to rates or traffic; (4) they may be acting practically as though they had formally agreed, although the condition is only one of mere truce which none care to break. The last is commonest in the Atlantic traffic where the barriers to agreement are greatest. The first condition—independence—is likely sooner or later to lead to the second—competition.

There is a peculiar ferocity attending a rate war among ocean line carriers, especially where the number of carriers is small and personal feeling can rise. It is primarily not competition to win trade, but to ruin the rival, drive him off or bring him to terms. Lines rendering similar service are each acquainted with every move of the competitors, but each hesitates to make the move that starts a rate war, which can make only losses for all carriers and which can end only when one party surrenders or all agree to abide by mutual restrictions which will preserve

peace. The fundamental influence in line rates is the charter rate which makes high or low the cost of the ships which freight lines are continually hiring. The element of warfare that exists in rate competitions is evidenced by the fact that the competing companies often carry freight at heavy loss, when a general condition of world-prosperity exists among carriers. Competition causes temporary disregard of all relation between cost of a ship and income from her. In November, 1902, it was stated that the 10*s*. rate from New York to South Africa involved a loss of $10,000 to $15,000 per steamer.

The carriers evidently desire agreements if they can be had, and the shippers do not desire rate wars as much as the lay observer might at first think. During an ocean rate war the rates are chaos. Trade thrives on regularity and certainty. The merchant in Cape Town, Buenos Ayres, or Shanghai does not relish having a large stock of goods secured at a normal rate and suddenly finding his rival getting the same goods in at a much lower cut rate. The constant rate fluctuations of a rate war often cause neighboring merchants to receive the same goods by the same ship at different rates. One of them blames somebody, usually the export commission merchant, and he in turn blames his freight broker. It is no unusual practice for an importer to divide an order among several export commission men. If the goods come on the same vessel at different rates as they very likely may, he is dissatisfied. The irregularity and wildly fluctuating rates would make it difficult for the importer to calculate a "laying down" cost of goods without expensive telegraphing, and an editorial in a shipping journal, defending European shipping agreements to control rates to the Orient, declares that "competition now based on careful lines would" (under conditions of non-agreement) "resolve itself into as hazardous a speculation as a chance in a lottery."[2] Another thing unfavorable to the shipper is the common irregularity of sailing schedule in a rate war. The ships are managed, not to please the shipper, but to injure the rival, and with that object the sailing days are often made to nearly coincide This does not give opportunity for an even

[2] *Fairplay*, July 31, 1902, p. 162.

flow of freight. The shippers prefer an even schedule, a rate as constant as possible and the same for all shippers. These conditions are difficult to secure where lines do not agree.

The rate war sometimes disturbs distant trades, as where a quarrel among London owners in the United Kingdom-Australian trade is carried to New York Australian trade where these same owners run steamers. This particular episode occurred in 1905.

The combined result of all these influences is, that with the partial exception of the north-Atlantic freight, there is in ocean line trades, both great and small, a normal condition of agreement among line carriers. This is disturbed by the frequent competitions that precede and end the agreements. The agreements are evidenced by the much greater constancy of line rates than of charter rates. These agreements are often reported in various journals, in consular reports, and in annual reports of the companies themselves. The annual report of the United Companies of Copenhagen (*Forenede Dampskibsselskab*) for 1904 states, "that the continental lines in their war against the Cunard Line unfortunately chose territory of the Danish Company and cost it a round million. Peace was concluded in December, and the company made a friendly working agreement with the competing companies, so that the future in this territory may be looked upon with full confidence." The 1903 report of the Kosmos Line, plying between Hamburg and the Pacific coast of both Americas, after stating that a combination of sailing-ship owners had helped the line by stiffening and steadying rates on Chilean nitrate, discussed in an annex to the report the announcement of a Hamburg firm's intention to run monthly sailings of English vessels from Antwerp to western South America. The Kosmos directors did not fear from this any successful encroachment upon their business. This would be prevented by the convention concluded a few years previously with the Hamburg-American Company and by the extensive system of rebates that had been established. Mr. Ellerman, one of the men who sold out to the International Mercantile Marine and afterward went into other shipping enterprises, told the stockholders of Ellerman lines in annual meeting that

six lines had recently been bought by the new company and that in most cases there were working agreements with the other lines engaged in those trades. Sir Thomas Sutherland, chairman of the Peninsular and Oriental Company, told the stockholders in a recent annual meeting that his company was a party to conferences or working agreements with various lines rendering the same services, and that such had long been the common custom of shipping lines in nearly all trades.

The same forces that have produced these agreements have also driven to consolidation throughout the world, and make the carrying corporations grow, line upon line, service upon service. It has not been limited to the north Atlantic. Practically all of the German lines going to South America are consolidated or closely allied, as are also the German lines to East Asia. The North German Lloyd has recently bought out a Scotch and a German line that competed in the East Indies adjacent to Singapore. The two leading British South African lines have consolidated; a host of small Danish lines have formed the United Companies of Copenhagen, and the several long-struggling coasting lines of Finland have done the same thing. With the simplification of direction and the reduction of number of owners, agreements become easier.

The agreements among the carriers take several forms: (1) division of territory; (2) freight pooling; (3) pooling of profits; (4) "conference" or agreement to maintain rates.

1. Division of territory, although not the most common, is probably the simplest form of agreement, as it is the easiest to operate. Each party is, within limits, free to do as it chooses in its own territory. The agreement between the German companies and the Morgan syndicate makes precise division of territory, by limiting future new services and setting the number of sailings that might be made on some existing services. In the North Sea traffic, Wilsons of Hull, the great rivals of the United Danish Lines, agree with their rivals as to which ports each shall serve, and when they disagree the threat of either party to compete at all points is a strong argument for peace, as it was also in the recent (December, 1905) quarrel between the

Hamburg-American and North German Lloyd companies. There are many divisions of territory that are tacit rather than formal. A line performing a certain service desires to add to or extend its service, but fears to do so knowing that the move will be regarded as a practical declaration of war and treated accordingly. This is probably the commonest of all causes of rate wars. A new carrier enters a rich field for a share of the trade, and a contest ensues.

One of the commonest ways of ending a rate war is for the contestants to divide up the territory. The following is an example. During 1902 and 1903 the trade from New York to Hayti and Cuba was competed for by the Hamburg-American Line and the Cameron Line. This was settled and competition ended by the Cameron Line withdrawing their ships from Hayti, but continuing their Mexico and Cuba services. The owners of the Cameron Line further acted as agents for the Hamburg company in Hayti, but the Hamburg company's ships did the carrying.

2. Freight pooling achieves a similar result by (*a*) the common method of alternate sailings or by (*b*) the more unusual method of actual division of the traffic on a basis of percentage or kinds of traffic.

(*a*) Alternate sailings is one of the most widespread, if not the most widespread, of all forms of line agreement. It is simple in its development and really was the origin of line traffic on many routes. Two or three merchants, who were in the habit of sending an occasional sailing vessel for themselves and others, naturally chose different times for the dispatch of their ships because there was then more freight offering. They almost inevitably worked out something of a schedule.[3] The same advantage holds true when two or more lines are running on the same route. As the advantages of this manifestly increase with the length of the route, it is natural that it should be prevalent in the trade to South America, Africa, and the Orient.

[3] The Hamburg-American and North German Lloyd companies were formed by such groups of merchants who desired a better service than their occasional independent ships gave, and, uniting, formed the now famous companies.

To the Argentine Republic one French and two English lines give a uniform rate with alternate sailings and exchange of passenger tickets. To the west coast of South America the Hamburg-American and the Hamburg-South American companies alternate the schedule and increase their ships together. But these lines have even a closer pooling alliance. In the oriental trade two French lines operate together, taking turns, and the two great German companies have tried about all combinations. This service has been double, consisting of the Imperial Mail line and a cargo line. The two companies joined in furnishing the vessels for these. This was followed by a period during which the Hamburg company managed the freight line and the Bremen company the mail line. This was satisfactory to neither party, and by a Hamburg conference in November, 1903, it was agreed that the Bremen company should furnish as well as manage the mail line and Hamburg, the cargo line. The companies then exchanged vessels and agreed not to antagonize each other in this trade. A half-dozen companies along the Dalmatian coast recently made a similar arrangement by which passenger and express business was taken by one line and freight by the others. The contract between the German lines and the Morgan syndicate made provision for the sharing by the two interests of new trade, or of extension when the extension amounted to doubling the number of sailings.

3. Pooling of profits seems to be quite common if one may infer from the known number of these ordinarily secret arrangements. The two great German companies appear to have a money pool, and it is announced from time to time in the press that they have pools with some of the smaller German companies. There is a pool of passenger earnings between the two German companies, the Holland-American and the Red Star Line which belongs to the International Merchant Marine Co., and runs to Antwerp. The German East-Africa Company and the Austrian Lloyd got into competition because the Austrian line entered the East African trade. After various negotiations *Fairplay*[4] announced a reported agreement by which "receipts

[4] January 28, 1904, p. 145.

from the passenger branches of the two services shall be divided at fixed intervals between the two companies, and that a mutual understanding shall also be arranged as regards the goods traffic."

The pooling of profits in ocean-carrying is comparatively simple if office expenses are left out, as is usually the case. The ships are often chartered, the owner furnishing the crew, so that the expense account, as well as income, can be calculated to a nicety. Even where ships are not chartered, it is common to have them surveyed when they enter pool service, and the owner credited with the same amount of money that he would have received if he had chartered the vessel to outside parties at current rates.

There is a profit pool among the carriers from the United Kingdom to Australia. Within the past decade there have been profit pools in the line trade from New York to Australia and from New York to Brazil, and there was every outward sign that there was also one from New York to South Africa. It was revealed in May, 1905, by a suit in the court of King's Bench, London.[5] Three British firms in the United Kingdom South African trade also had vessels in New York service. They were entitled to 21 per cent. in the pool; the German Hansa line had 16 per cent. and was sued because of the failure to maintain the agreement which was entered into October 23, 1901. During most of this period there was a rate war in progress, and the difficulty of operating a pool under these circumstances is shown by the fact that in 1902 there were eighty-seven meetings and in 1903, sixty-one.

Pools of both sorts are apt to be short lived, as were most of those referred to above, because of their tendency to become non-progressive arrangements. They heal the difficulty of the hour, but they must be well arranged indeed if they can provide for the satisfactory division of increased trade among the participants. That is the rock upon which they all alike go to pieces. It matters little whether they be divisions of traffic or divisions of money. One line feels that its position, expenditures, or activity merit a large share of the increase in the trade. The

[5] See *New York Journal of Commerce*, June 7, 1905.

line that has done less wants of course an equal share. An example will illustrate: In February, 1893, the British India, Peninsular and Oriental, and Hansa steamship companies came to a clearcut agreement about the trade between Middlesboro', London, Hamburg, and Antwerp with India. In September, 1898, it was modified, apparently in favor of the stronger parties, so that if Antwerp freight exceeded the capacity of the Hansa steamer, each of the other lines could have six sailings a year from Antwerp, the amount of freight in each of these additional sailings being prescribed and limited. This lasted until January, 1905, when the P. and O. Company, again dissatisfied, threw the agreement to the winds, announced more frequent sailings from Antwerp, and a long rate war between the two British companies and the German company followed.

4. Shipping conferences. These are usually agreements to maintain rates upon a certain route. Once the carriers have agreed, they usually arrange a schedule of sailings, rendering the best possible service, and keep off competitors by a system of deferred rebates. This is usually ten per cent. of the freight. It is calculated at the end of a long period, usually six months, and paid six months or a year later, *provided* the shipper has remained "loyal" to the members of the conference. Shipping by a rival line is, of course, "disloyalty," so that the conference carriers, by means of these deferred rebates, practically keep all regular shippers under bonds to let all rivals severely alone. Thus is the shipper bound. The starting of rival shipping lines is deterred by the certainty of fierce competition, and by the restraining tendency which the rebates will have on the people who would otherwise ship by the new line.

Despite this inner stay and outer prop, the way of the shipping conference is far from smooth. The prosperity that attends their success attracts the hungry outside shipowner who sets up competition, creates chaos and general loss in the hope of being admitted to the conference.

Owing to the oft and widely repeated fact that the United States has had few and poor shipping connections other than transatlantic, the best place to see the shipping conference in full

operation is in European trade, where the steamship lines are older and well established. The best single example is the South African Shipping Conference. It is a successful conference. It has been carrying the trade of a region that stood for some years in the glare of the world's attention. It is also an unprosperous region and therefore a region where discontent is rife and where there is diligent search for the causes of this discontent. The fact that the conference has had long success and consequent freedom from rivals has produced a feeling of independence and made it less anxious to please the shipper in matters of detail. All these influences have combined to throw much light on the South African Shipping Conference.

A New York freight broker, well acquainted with European conditions recently declared: "The steamship people in England ride the shippers; they *ride* them; they say 'you can have so much space in such and such a ship.'" The British shippers seemed to be of the same opinion. After the close of the Boer war the press was full of complaining letters. Such grave bodies as the Liverpool and Leeds Chambers of Commerce took the matter up and condemned it vigorously; the colonial legislature of Natal passed a resolution of condemnation; colonial premiers entered into correspondence with the head of the conference; and South African commercial bodies were quite as active as those of England.

The Leeds Chamber of Commerce showed that when a rival line had arisen and the rebates had failed to hold the shipper, the conference had quoted double (prohibitive) rates when the shipper persisted in patronizing the new company for that part of the freight which the new carrier could place. The British public was also enraged because the rates to Africa were from 24*s.* to 80*s.* per ton, and the same firms had steamers in the New York-South African service and were giving rates from New York at 10*s.* to 20*s.*[6] American trade was naturally booming at the expense of the English. To this criticism the conference replied

[6] This type of grievance still remains and is embodied in a strong resolution of the Associated Chambers of Commerce of Great Britain which met in London, March 7, 8, 1906.

that the New York rate was a heavy loss owing to competition, and that the rates from all continental ports were the same as from British ports, a point that had been carefully stipulated in all arrangements with German and other lines.

From South Africa also came the charge of excessive rates, but the carriers declared their rates were reasonable; that the African importers were suffering from the exactions of the colonial railways. In this connection a paper before the Institute of Civil Engineers shows that on the basis of 1.54 *d.* per ton per geographical mile for mineral trains in England, the total sea-borne rate was about one-thirty-fifth of that figure. At the time of the African complaint against the shipping "ring" the rate on iron from the United Kingdom to Kimberley was as follows:

	Via Cape Town		Via Port Elizabeth		Via Durban	
	Rail	Ocean	Rail	Ocean	Rail	Ocean
Distance	647	6,181	485	6,609	483	*cir.* 7,000
Rate per ton.......	218/5	22/6	166/2	22/6	110/–	25/–

Various persons and chambers of commerce were appealing to the British government to give them relief of some sort and one proposal was to give the mail and government contracts to an independent line that should be formed. An editorial in *Lloyd's Gazette* in August, 1904, stated that while monopoly had made the conference carriers a little autocratic in their manners, any government scheme to start another line "would just make it strong enough to join the conference." Occasionally Sir Donald Currie, head of the largest British interests in the conference, would reply to the numerous attacks. One such long letter (*Syren Shipping,* June 24, 1904) made the challenging statement that "the South African trade is quite open." But owing to the rebate control and boycott rates it was practically open only to a line or combination that could offer as good a service. It is common for steamers to South Africa to skirt the coast, stopping at three or more ports. When competition did spring up, the conference lines eclipsed it by dispatch-

ing a vessel directly to each of the three main ports, and it is currently reported that one of the lines in the conference only got in after losing a million dollars in a rate war which finally brought the conference to terms. In a letter to Mr. Chamberlain, Sir Donald Currie said (see *New York Journal of Commerce,* June 18, 1903): "This so-called rebate system prevails in every ocean steam trade, and while providing the necessary support which steamers, to be regularly employed, regularly require, it secures under suitable arrangements with the merchants regularity of rates, as well as the supply of sufficient steam tonnage." *Fairplay*[7] quoted Mr. Birchenough (who had been sent to South Africa by the government to investigate the matter) as saying: "The rebate system prevents the cutting of rates, and it is to that extent as much a protection to the shippers as to the 'ring;'" and the journal then stated editorially that, "as a simple matter of fact, the present very efficient service to the Cape could not possibly be worked otherwise than by a conference agreement."

The China Conference is one of long standing, and, like numerous others from Europe outward, it has succeeded in keeping less before the public. One of the largest of these combinations is the reported agreement between two groups of west coast South Amercan carriers—the Panama group comprising eight companies and the Magellan group four companies. In the Panama group were companies representing America, England, Germany, France, and Italy.

The founding of lines of steamers from New York to other than European and West Indian ports has had its largest and almost its entire development since 1890, and while these lines have not been long established, they have compassed practically all of the experiences in the catalogue of agreements among carriers. To South America, Africa, Australia, and the East there were sailing-vessel lines that had grown up gradually from the operations of exporting merchants. This commerce has grown great enough to tempt the old-established firms of British establish employment for some of their vessels by putting them into steam services from New York to the various districts above

[7] September 22, 1904, p. 444.

mentioned. This was a direct blow at the trade of the American firms that had handled the trade from its inception, and strong rivalries have ensued. This has been further complicated by the coming of German steamers upon the scene. Peculiar incidents have occurred in these contests. Firms agreeing in European conferences have competed here; at least one New York firm has been in both the east South American trade and the South African trade, but in one it fiercely competed with firms with which it had agreements in the other trade. The New York carrying combinations are well typified in all important respects by the happenings in the Australian trade.

The first of line service was in 1853 when two firms began taking turns in sending out sailing vessels. In 1878 a Boston firm began, and in 1884 added a New York service, taking turns with the other two companies, and each got what rates it could at the agreed-upon time of sailing.

In 1889 a fourth company essayed to enter this service and it was admitted, after a year of rate cutting, during which rates fell from 27½ cents per cubic foot to 7 cents.

The four companies now agreed and conducted their business without serious disturbances until 1896 and 1897, when some outside merchants chartered, loaded, and dispatched some ships to an Australian firm. This promised easily to become the origin of another line. Shortly thereafter the four carriers made rebate contracts, promising a 10 per cent. rebate if shipments were not sent by any outside line. The agreement was made with many firms, some for five years and others for shorter periods, down to one year and less. The shorter periods were apparently accepted because of the probability of opposition. At this time the charge was freely made that the four firms who combined the functions of commission merchants and carriers used their carrying functions to benefit their business as merchants to the detriment of other merchants. This very natural desire could be effected, as was then charged, by quoting rival commission houses higher rates, and by so-called "filling-orders"—filling up a ship, when cargo was scarce, with "bulk lines" to be sold in Australia in competition with their patrons who had paid full rates of freight.

In the spring of 1898 two London shipping firms, desiring return cargoes, for ships carrying Australasian frozen meat to the United Kingdom, sent their steamers to New York to load outward. The four New York firms, which had been sending sailing vessels only, united in organizing the United States & Australasian Steamship Company and placed at its head a man from one of their offices. This was done the very day that the advertisement of the British steamship service appeared, and the Americans succeeded in dispatching the first steamer. The war was carried into the enemy's country by sending steamers to South Africa where the competing English firms had important services. This was a new venture for the Australasian shippers and was purely an incident of the lively war that raged from May until December, 1898. Rates were put down to 10*s.* a ton, about the cost of stevedoring and dunnage wood, and in December there was an agreement between the New York firms and the two London firms, but a third London line which had entered during the competition did not enter as a part of the agreement that formed the so-called Associated Line.

Before the beginning of the competition each of the four firms had taken its turn on the berth and had made what profits it could from its ship. The Associated Line worked on a profit pool, said to have been divided equally between the New York and London interests. It of course had the rebate arrangement and the carriers promised to do away with the obnoxious "filling lines." This Anglo-American agreement seems never to have run smoothly. Even the public press frequently mentioned the fact. Old-established American firms, accustomed to making their decision on the spot, were dealing with the agents of British ship-owners who are notorious for deciding in London everything for their agents in New York, whether they know the conditions in New York or not. That they do not know the New York situation is the consensus of American-New York opinion. In addition to internal troubles, the Associated Line had the strong competition of the one outside firm which was not well controlled by the rebates. Stronger measures were tried. In May, 1899, an Associated Line circular stated that if after

the first day of July any commission house should consent to fill a buying order for any Australian or New Zealand merchant who insisted upon shipping by any line but the Associated Line, that commission house will not only lose its 10 per cent. deferred rebate for that client, but will in addition have to pay an additional rate of 5 *s.* per ton upon all freight shipped to Australia, and 7 *s.* 6 *d.* per ton to New Zealand. This embraced all business done by the New York *commission firm* for clients "loyal" and "disloyal" to the Associated Line. The rival line continued to prosper, and in April, 1900, the penalties were increased to 12 *s.* 6 *d.* per ton, "on condition that they buy their goods from a loyal supplier, the consignee's name being subject to approval of one of the members of the Associated Line."

The attempts at coercion failed, and within a month the Associated Line had ceased to exist. It was resolved into its elements, and rebates and penalties were declared off. During the exigencies of the fight it appears by the protests of merchants in both New York and Australia, that the rebates were withheld when due, and certainly were not paid for some months thereafter.[9] This was merely one more effort to hold trade away from the rival. The end of the combination was brought about quite as much by internal trouble as by competition, as is evidenced by the fact that the breakup of the combination caused no immediate break in rates.

Since the end of the pool in May, 1900, there has been a continuation of the ups and downs in the trade until the mere mention of the Australian trade makes a New York shipping man refer to primeval chaos. The steamship company owned by the four united New York firms is sending both steamships and sailing vessels, and the three British firms are still in the business. In September, 1901, rate cutting apparently took the form of seeing who had the most money to lose. Weight cargo was carried for 5 *s.* to 7 *s.* 6 *d.* per ton, and measurement cargo or 10 *s.* The American company seems to have out-generaled its opponent in this contest of loss. The shipping journals show that they advertised the same steamer from December 2 until

[9] *New York Journal of Commerce,* April 21, 1901.

March 27, when she finally sailed. In the interval she was making short voyages in nearby waters. The earlier cargoes that she should have taken to Australia got sent on the rivals' ships at the rivals' heavy loss. In May, 1902, there appears to have been an oral rate agreement that lasted till October, 1904, when one of the British lines started in to get a better share of the freight. This war lasted until August, 1905, after which time the carriers lived along for some months on day-to-day rate understandings, and efforts to pool the traffic or proceeds came to naught because the different parties could not see alike with regard to respective proportions that each should have. In February, 1906, one of the London companies suddenly made a great increase in the tonnage on this service. To secure freight for it concessions in rates were made to some shippers on some classes of goods, but this had not resulted in a general disturbance of rates on April 8. This situation, like many another in the commercial world, is materially affected, by bitter personal animosities existing between some of the principals, and rendering them oblivious to the ordinary economic impulses.

This detailed account of the recent developments in the New York-Australian trade, with its freight and money pools, its competitions, rebates and virtual boycotts, differs but little from the history of the trade to South Africa or east South America. In all of them the old American exporting firms have had to meet the competition of European shipowners who have competed by setting up new steamship lines. In the struggles that have followed, the pool, the rebate, and the boycott have been freely used. The boycott has not frankly borne that name, but the same practical result has been attained by indirect means. One method is the prohibitive rate described in the account of the Australian trade. A common device of the foreign-owned lines is the "inability" to name a rate. "I'll have to cable to headquarters," replies the agent. Upon application the next day or the next, the cable reply "hasn't come yet." Another method of achieving this result is for the ship's agent to tell the applicant that he has no space, although the next applicant, if friendly, may contract for 500 tons. In a recent conversation a

New York freight broker said that he was boycotted by the carriers to four different parts of the world. It should be noted that it is the broker who is usually boycotted, not the actual consignor of the freight. He can get another broker and have his bargain made.

There is one broad difference between the recent American and British shipping conferences. Those in Europe are made by lines owning the ships that they use. The American conferences have been upon the basis of hired ships or European ships being managed at long range by non-resident owners. The members of European conferences have therefore had more at stake, and in the freight depression prevailing since the Boer War most of their conferences have been maintained, while most of the American conferences have gone to pieces.

The rebate system is comparatively new in the New York trades and seems to have had its chief growth since the coming of the British steamers to compete with the American sailing vessel merchant-carrier firms. The recent strenuous competition between carriers from New York to South Africa led to the withholding of rebates because of "disloyalty." The dissatisfaction of some of the penalized firms over the definitions of loyalty led to a suit being brought against carriers in New York in 1904, and it is currently stated that a letter from the United States Attorney General's office so alarmed the foreign owners that they feared to risk trial under the Sherman law, and stopped all rebates for a time. There was shortly afterward a change in the head of the United States Department of Justice, and the rebates began again in some quarters. The suit has not come to trial.

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